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RUEHCV/AMEMBASSY CARACAS 3432
RUEHGE/AMEMBASSY GEORGETOWN 0657
RUEHPE/AMEMBASSY LIMA 3656
RUEHMD/AMEMBASSY MADRID 3943
RUEHMN/AMEMBASSY MONTEVIDEO 5343
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C O N F I D E N T I A L SECTION 01 OF 02 LA PAZ 000638

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TAGS: [ECON](#) [PGOV](#) [PREL](#) [FAS](#) [AGR](#) [FAO](#) [IFAD](#) [BL](#)
SUBJECT: BOLIVIAN EXPORT BAN COULD DEVASTATE ECONOMY

REF: LA PAZ 589

Classified By: Acting EcoPol Chief Brian Quigley for reasons 1.4 (b), (d).

Summary

¶1. (C) On March 19, President Morales issued a decree banning the exportation of four types of cooking oil. If maintained for any length of time, the move would destroy the most important sector of the economy in the opposition stronghold of Santa Cruz and force the withdrawal of American firm Archer Daniels Midland (ADM). More than 80 percent of cooking oil produced in Bolivia is exported and it represents the third largest commodity export earner after hydrocarbons and mining. The government justifies the move as a step against inflation and unscrupulous oligarchs who are exporting cooking oil instead of supplying the domestic market. Reaction from the Santa Cruz producers was swift. They promise to fight the decree through the local Santa Cruz government and have announced a national congress of farmers and oil producers on March 25 to determine further actions. End Summary.

American Investment Directly Affected

¶2. (U) On midnight of March 19, the Bolivian government banned the export of both crude and refined soy and sunflower oils. These products are principally exported to the Andean Community of Nations and represented some \$200 million in export earnings in 2007. Of Bolivia's total cooking oil production, only between 15-20 percent is consumed domestically. According to the General Manager of the Chamber of Santa Cruz Exporters (CADEX), Oswaldo Barriga, around 300,000 families could be left without work and eight oil companies will be severely hurt by not being able to export the 80 percent of production left over.

13. (C) For Archer Daniel Midland (ADM), one of the four principal producers of seed oils in Bolivia, the losses could mount quickly. The General Manager, Valmor Schaffer told EconOff that at midnight trucks loaded for export were stopped at the borders (despite having been loaded before the ban) and ADM expects three shipping vessels in the next week. Schaffer estimates that paralyzed trucking will cost the company some \$15,000 a day, while moorage costs for the ships will run between \$30,000 to \$40,000 a day. Even greater losses loom if contracts are canceled. Schaffer worries that with prices for oil having risen by around 20% since some contracts were signed a year ago, buyers may use delivery delays as an excuse to cancel their orders. Losses would be in the millions.

The Government Justifications

14. (SBU) The government has justified the ban as both a fight against inflation and a move against unscrupulous Santa Cruz businessman. The price of cooking oil has risen by around 70% over the last year. By flooding the market with oil previously destined for export, the government hopes to drive down prices. Taking a more political stance, the Minister of Agriculture, Susana Rivero, justified the ban by saying that in 2007 oil production totaled 420,000 tons, of which 70,000 went to the domestic market and 350,000 was exported. She claims that in only the first two months of 2008, "the big businesses" have already sent more than 350,000 tones out of the country and little oil will remain for domestic consumption. Rivero said that "you can't allow

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them to think first about business and not about the Bolivian population."

15. (C) Schaffer, from ADM, did not know where the minister was getting her figures. To him, they are completely false. Moreover, he said that each month ADM crushes enough soy for the domestic market in three to six days. What are they supposed to do for the remainder of the month? Gary Rodriguez, the general manager of the Bolivian Institute of Trade (IBCE) is quoted as saying that he could understand that that President Morales may not be aware that only 20% of oil production is consumed domestically, but "it is the responsibility of his ministers to be more in touch with reality." Illustrating possible confusion (or deceit) within the Morales Administration itself, Schaffer additionally said that he was scheduled to meet with a high level trade official on March 24 in order to finalize agreements to better serve the domestic markets. He said meetings with that same official earlier in the week had be amicable. However, the move is not out of sync with past Morales Administration actions that directly harm the productive sector (Reftel).

Reactions in Santa Cruz

16. (SBU) Six private business associations took out a half page ad in two national newspapers denouncing the ban and accusing the Movement Toward Socialism (MAS) of using the economy as a political weapon to hinder the autonomy movement. The group assured that with these types of actions, the MAS government is breaking any chance of dialogue. A congress of farmers, producers, and all those who are part of the agro industrial chain of production will meet on March 25 to discuss further necessary actions. Additionally, if the government does not rescind the ban, local groups promise to go to the departmental government to request the implementation of a new system with the power to guarantee the production and exportation of their products.

Comment

17. (C) If left in place, the export ban would be a disaster for the Bolivian economy in general, and catastrophic for the department of Santa Cruz in particular. It is difficult to say exactly what the Morales Administration hopes to gain through this action. It is possible that they don't truly understand the implications of their actions and will back away from the ban over the coming weeks. What does seem clear though is that the ban is yet another direct act to both undermine the productive sector of Santa Cruz and, perhaps, disrupt the department's plans to hold an autonomy vote on May 4. Acts of defiance against the ban are nearly certain if it remains in place. How the central government then reacts will be critical to determining if the current political crisis in Bolivia remains generally peaceful or turns more violent.

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